

Message Text

UNCLASSIFIED

PAGE 01 ROME 07087 231510Z

46

ACTION EUR-25

INFO OCT-01 ISO-00 SAJ-01 SWF-02 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SP-03 STR-08 TRSE-00 LAB-06 SIL-01 SAM-01 OMB-01

AGR-20 SS-20 NSC-07 PRS-01 PA-04 USIA-15 DRC-01 /165 W

----- 013546

R 231400Z MAY 74

FM AMEMBASSY ROME

TO SECSTATE WASHDC 4950

INFO US MISSION EC BRUSSELS 5172

AMCONSUL FLORENCE VIA POUCH

AMCONSUL GENOA VIA POUCH

AMCONSUL MILAN

AMCONSUL NAPLES

AMCONSUL PALERMO VIA POUCH

US MISSION OECD PARIS 9350

AMCONSUL TRIESTE VIA POUCH

AMCONSUL TURIN VIA POUCH

UNCLAS ROME 7087

E.O. 11652 N/A

TAGS: EFIN:, IT

SUBJ RUMOR COMMENTS ON STATE OF THE ITALIAN ECONOMY

REF: ROME 6833

1. /SUMMARY/. IN RECENT MEETINGS BETWEEN GOI AND LABOR UNION REPSREFTL, PRIME MINISTER RUMOR REVIEWED SERIOUS ECONOMIC DIFFICULTIES FACING COUNTRY. RUMOR COMMENTS REPRESENT FIRST TIME IN RECENT MEMORY THAT RANKING GOI OFFICIAL HAS BEEN WILLING TO "BITE THE BULLET" IN FRANKLY PRESENTING FOR PUBLIC CONSUMPTION GRAVITY OF ECONOMIC SITUATION AND ITS POSSIBLE EFFECTS ON GENERAL PUBLIC. /END SUMMARY/.

2. RUMOR EXPRESSED SATISFACTION AT RATE OF GROWTH IN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 ROME 07087 231510Z

PRODUCTION BUT UNDERScoreD CONTINUING SERIOUS BALANCE OF PAYMENTS

PROBLEM HE SAID THAT ECONOMY WAS INCREASINGLY AT MERCY OF INFLATIONARY EFFECTS OF RISING WORLD COMMODITY PRICES WHICH ARE ALSO AFFECTING COMPETITIVENESS OF ITALIAN INDUSTRY. RESULT IS THAT FUNCTIONING OF ITALIAN ECONOMY IS INCREASINGLY DEPENDENT UPON FOREIGN CREDITS TO BRIDGE GROWING GAP BETWEEN IMPORTS AND EXPORTS. RE PROBLEM OF CONTAINING INFLATION, RUMOR REFERRED TO GOI POLICIES DESIGNED TO RESTRICT DOMESTIC LIQUIDITY AND ADMITTED THAT RECENTLY-ADEPOTED PRIOR IMPORT DEPOSIT SYSTEM IS ALSO DESIGNED TO REDUCE GROWTH IN IMPORTS IN EFFORT TO REDRESS BALANCE OF PAYMENTS. RUMOR EMPHASIZED THAT LATTER MEASURE IS TEMPORARY AND CONDITIONED BY ITALY'S RELATIONSHIPS WITH EC.

3. RUMOR CITED FOLLOWING CONSEQUENCES OF PRESENT DIFFICULT ECONOMIC SITUATION FACING ITALY: (A) RISING PRIVATE CONSUMER DEMAND IS AT VARIANCE WITH BASIC GOI POLICY OF EXPANDING SOCIAL INVESTMENTS AND ADOPTING BASIC REFORM MEASURES. IN ADDITION, STRONG DOMESTIC DEMAND IS EXACERBATING PROBLEM OF IFLATION, WITH CONSEQUENTIAL DECLINE IN PURCHASING POWER OF LIRA AND NEGATIVE IMPACT ON REAL WAGES AND SALARIES; (B) INABILITY TO EXPAND EXPORTS SUFFICIENTLY TO COMPENSATE FOR RISING IMPORTS POSES PROBLEMS WHICH THREATEN EXISTING TRADE PATTERNS; (C) CRISIS REGARDING ITALY'S CREDIBILITY AND CREDITWORTHINESS IN FINANCIAL AND ECONOMIC RELATIONS WITH EC AND OTHER WORLD TRADING PARTNERS IS SERIOUS PROBLEM WHICH SHOULD NOT BE UNDERESTIMATED; (D) GOI REQUESTS FOR FOREIGN FINANCIAL ASSISTANCE IMPOSE OBLIGATIONS ON GOI TO REMEDY ITALY'S ECONOMIC ILLS. UNCLESS GOI ADPOTS BOLD MEASURES TO SOLVE ECONOMIC ILLS. UNLESS GOI ADOPTS BOLD MEASURES TO SOLVE ECONOMIC PROBLEMS AND FOSTER RETURN OF CONFIDENCE IN THE LIRA, REAL DANGER EXISTS THAT FOREIGN CREDIT SOURCES WILL DRY UP WITH RESULTANT NEGATIVE IMPACT ON DOMESTIC INDUSTRY CONSEQUENCE OF INABILITY OF GOI TO OBTAIN FOREIGN CREDITS WOULD BE RUINOUS ECONOMIC RECESSION WITH DECLINES IN EMPLOYMENT AND PRODUCTION AND ECONOMIC "ISOLATION" OF ITALY FROM WORLD ECONOMY.

4. RUMOR CALLED UPON JOINT GOVERNMENT-LABOR EFFORTS TO BREAK VICIOUS ECONOMIC CYCLE WHICH COULD LEAD TO ECONOMIC DISASTER AND PLEDGED THAT GOI WOULD TO ITS PART TO PUT COUNTRY BACK ON READ TO ECONOMIC PROGRESS. SAID THAT GOI IS WILLING TO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 ROME 07087 231510Z

DISCUSS ECONOMIC ISSUES WITH LABOR UNIONS BUT LATTER SHOULD BEAR IN MIND SERIOUS ECONOMIC PROBLEMS FACING COUNTRY. HE EMPHASIZED NEED TO MAINTAIN PRODUCTION AND EMPLOYMENT LEVELS, AND TO DEFEND WAGES AND SALARIES FROM EROSION FROM INFLATION. RUMOR CONCLUDED COMMENTS IN CALL FOR ITALIANS TO PRODUCE MORE, TO CONSUME LASS, AND TO INCEASE PRODUCTIVE INVESTMENTS WHILE REDUCING EXPENDITURES IN AREAS WHICH DO NOT CONTRIBUTE TO EQUILIBRIUM OF ECONOMY. INITIAL REACTION OF UNIONS (REFTEL)

WAS SURPRISINGLY MODERATE. (TEXT OF RUMOR TALK BEING POUCHED
SEPARATELY.)VOLPE

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: UNION GOVERNMENT RELATIONS, MEETINGS, CENTRAL GOVERNMENT, LABOR UNION OFFICIALS, PRICE CONTROLS, LABOR OBJECTIVES, LABOR POLICY LINE
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ROME07087
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740129-0658
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740523/aaaaaucu.tel
Line Count: 117
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: ROME 6833
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 29 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 OCT 2002 by boyleja>; APPROVED <30-Oct-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RUMOR COMMENTS ON STATE OF THE ITALIAN ECONOMY
TAGS: EFIN, IT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005